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SUBJECT: LEGAL PROCESS PUTS WORLD BANK COUNTRY DIRECTOR AT RISK IN BANGLADESH

Classified By: A/DCM Dundas McCullough; reason 1.4(d)

¶1. (C) World Bank Bangladesh Country Director Christine Wallich met February 12 with CDA Chammas and Econoff concerning a long-running court case involving termination of a former, politically well-connected employee. Court decisions in the case have called into question the immunity of the World Bank and its employees under the World Bank membership agreement and implementing legislation in Bangladesh. As a result, the World Bank has pushed for legal changes to overturn the court decisions and reaffirm the legal immunity of the bank and its employees. Although the government has submitted the immunities law to Parliament, it remains pending in the face of substantial local political opposition spearheaded by several NGO's. IMF and ADB immunity is not under challenge, due to technical differences in their respective immunities clauses.

¶2. (C) Of immediate concern for Wallich, and the reason for her meeting, is a court summons to Wallich and four other bank employees to appear for a hearing on February 20 over possible violation of an earlier court injunction in the case. The summons states that failure to appear is punishable by six-months jail and/or seizure of personal property. Wallich, an American citizen, said she merely wanted to inform CDA "in case something happens." She strongly discouraged the USG from intervening at this time, saying such action would probably be counter-productive. She will appear through counsel at the February 20 hearing.

¶3. (C) Wallich also expressed concern over the ability of the five bank employees to travel abroad. She said Prafel Patel of the WB strongly considered instructing her not to return to Bangladesh from a recent trip to Washington. Three of the individuals named in the summons are Bangladeshi nationals scheduled to travel abroad for bank sponsored training. If they are stopped at the airport, Wallich said, the bank will probably withdraw its entire expatriate staff from Bangladesh. Wallich said she has explored alternative routes out of the country and has taken the precaution of obtaining a multiple entry visa for India.

¶4. (C) The underlying case concerns a 2001 decision by the World Bank not to offer permanent employment to Ishmet Khan at the end of her two year probationary period as an external affairs assistant. Khan objected and the issue was referred to an independent alternative dispute resolution (ADR) forum as provided in WB policies and contracts. According to Wallich, the ADR procedure confirmed the WB's decision not to retain Ms. Khan, but awarded some form of settlement to Khan, which the bank paid. Khan was not satisfied with the outcome and filed suit seeking reinstatement and substantial monetary damages. The dispute has grown increasingly bitter over the years, and Wallich thinks Khan will settle for nothing less than total vindication, reinstatement, and sizable damages. "She wants to humiliate the WB; its become David against Goliath," said Wallich.

¶5. (C) Wallich described Khan as very politically well-connected "to the Law Minister, half the Supreme Court and NGOs" and said she even had supporters within the WB itself who kept her informed of WB actions affecting her case. She suspected Khan was behind unsuccessful attempts by the Law Secretary to eviscerate the immunities bill before it went to Parliament. Khan has also been successful stirring up heated public opposition to immunity for the WB, to the point where Wallich felt the WB's own outside lawyers were reluctant to provide more than token support for the case.

CHAMMAS